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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-70611; File No. SR-CFE-2013-005)

October 4, 2013

Self-Regulatory Organizations; CBOE Futures Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Notification and Reporting Provisions for Exchange of Contract for Related Position Transactions and Block Trades

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on September 20, 2013, CBOE Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act (“CEA”)<sup>2</sup> on September 20, 2013.

I. Self-Regulatory Organization’s Description of the Proposed Rule Change

CFE proposes to revise the notification and reporting provisions contained in CFE Rules 414 (Exchange of Contract for Related Position) (“ECRP”) and 415 (Block Trading).

The scope of this filing is limited solely to the application of the rule changes to security futures traded on CFE. The only security futures currently traded on CFE are traded under Chapter 16 of CFE’s Rulebook which is applicable to Individual Stock Based and Exchange-Traded Fund Based Volatility Index (“Volatility Index”) security futures.

The text of the proposed rule change is attached as Exhibit 4 to the filing submitted by the Exchange but is not attached to the published notice of the filing.

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<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 7 U.S.C. 7a-2(c).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CFE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. CFE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

CFE Rule 414 sets forth requirements relating to ECRP transactions, and CFE Rule 415 sets forth requirements relating to Block Trades. Each of these types of transactions occurs off-exchange, and CFE Rules 414(i) and 415(g) each set forth notification and reporting requirements, which are substantially the same. The current proposal seeks to amend these provisions. The impetus for these proposed changes is the planned expansion of extended trading hours for CBOE Volatility Index (VIX) futures, which is planned to occur in two phases with the first phase to begin in late September and the second phase to begin in the weeks that follow.<sup>3</sup>

Because CFE's Help Desk will be staffed during longer periods of time than previously, the Exchange is proposing to amend the notification and reporting provisions contained in CFE Rules 414 (Exchange of Contract for Related Position) and 415 (Block Trades), which apply to

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<sup>3</sup> See CFE Information Circular [IC13-029](#) for additional information regarding the expansion of extended trading hours for VIX futures. This rule filing is intended to address how the notification and reporting provisions for ECRP transactions and Block Trades will operate when CFE introduces a new 45-minute extended trading hours period for VIX futures. This new trading period of extended trading hours in VIX futures will be from 3:30 p.m. – 4:15 p.m. on Mondays through Thursdays.

all products traded on the Exchange.

For purposes of efficiency, the Exchange will describe below the current notification and reporting provisions and the proposed changes to those provisions, which would apply equally to both CFE Rule 414 and CFE Rule 415.

The current notification and reporting provisions require that each party to the transaction have an Authorized Reporter call or email the CFE Help Desk after the transaction is agreed upon to notify CFE of the terms of the transaction.<sup>4</sup> These provisions are described in terms of when there is agreement to the transaction, which triggers the ten-minute time period during which the transaction must be reported to the CFE Help Desk.<sup>5</sup> Unless otherwise specified in the rules governing the relevant Contract:

- if the transaction is agreed upon between the time that Trading Hours commence in the relevant Contract and 3:15 p.m., the notification to the CFE Help Desk must be made without delay and by no later than ten minutes after the transaction is agreed upon (in which event the CFE Help Desk will report the transaction to CFE's trading system and provide a written transaction summary on that day);<sup>6</sup>
- if the transaction is agreed upon between 3:15 p.m. and 3:25 p.m., the notification to the CFE Help Desk must be made either

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<sup>4</sup> For this purpose, agreement to the transaction includes, without limitation, agreement to the actual price or premium of the Contract leg of the ECRP transaction or Block Trade (except in the case of a trade at settlement ("TAS") transaction that is permitted by the rules governing the relevant Contract, in which case agreement to the transaction includes, without limitation, agreement upon whether the price or premium of the Contract leg of the ECRP transaction or Block Trade will be the daily settlement price or an agreed upon differential above or below the daily settlement price). The Exchange is also taking this opportunity to make further explicit that agreement to the terms of an ECRP transaction or Block Trade includes agreement to the quantity of the Contract leg of an ECRP transaction or the quantity of the Block Trade.

<sup>5</sup> All times included in this filing and in CFE's Rules are Chicago time.

<sup>6</sup> Additional details regarding the written transaction summary prepared by the CFE Help Desk are set forth in CFE Rules 414(k) and 415(i).

- on the day the transaction is agreed upon by no later than 3:25 p.m. (in which event the CFE Help Desk will report the transaction to CFE's trading system and provide a written transaction summary to the Authorized Reporters on that day) or
- on the following business day by no later than ten minutes from the time that Trading Hours commence in the relevant Contract (in which event the CFE Help Desk will report the transaction to CFE's trading system and provide and provide a written transaction summary to the Authorized Reporters on that business day); and
- if the transaction is agreed upon after 3:25 p.m. and prior to the time that Trading Hours commence in the relevant Contract on the following business day, the notification to the CFE Help Desk must be made on that following business day by no later than ten minutes from the time that Trading Hours commence in the relevant Contract (in which event the CFE Help Desk will report the transaction to CFE's trading system and provide a written transaction summary to the Authorized Reporters on that business day).

The current proposal would extend the time frames during which ECRP transactions and Block Trades may be reported. Also, the notification provisions would be described in terms of the time of notification to the Exchange (instead of when there is agreement to the transaction).<sup>7</sup>

Specifically, based upon the time of notification to the CFE Help Desk of an ECRP or Block Trade, these Rules would be amended to include charts that specify the manner in which the notification of an ECRP or Block Trade must be provided to the CFE Help Desk, the Business Day for which the ECRP Contract leg or Block Trade will be submitted for clearing, and when the Help Desk will report the ECRP Contract leg or Block Trade to CFE's trading system. The CFE Help Desk will provide a written transaction summary to each Authorized Reporter on the Business Day for which the ECRP Contract leg or Block Trade is submitted for clearing. The Exchange notes that between 7:00 a.m. and 4:00 p.m. on each business day, notification may be made by phone or email. The Exchange proposes to limit the method of

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<sup>7</sup> The Exchange notes that Authorized Reporters would still be required to notify the CFE Help Desk without delay and by no later than ten minutes after the transaction is agreed upon.

notification to email only during all other times. The proposed rule charts<sup>8</sup> would be as follows:

<b>Time of Notification to the Exchange</b>	<b>Notification Method</b>	<b>Business Day for which Contract Leg/Block Trade Submitted for Clearing</b>	<b>When Help Desk Reports Contract Leg/Block Trade</b>
7:00 a.m. - 3:15 p.m. Monday - Friday	Phone or E-Mail	Business Day of transaction.  Next Business Day for Trade at Settlement (TAS) transactions reported after 3:12 p.m.	As soon as practicable following required notifications to Help Desk
3:15 p.m. to 3:30 p.m. Monday – Friday	Phone or E-Mail	Calendar day of transaction or next Business Day, as designated by Authorized Reporters.  Next Business Day for TAS transactions.	As soon as practicable after trading next commences following required notifications to Help Desk.
3:30 p.m. to 4:00 p.m. Monday – Thursday <sup>9</sup>	Phone or E-Mail	Calendar day of transaction or Business Day of transaction, as designated by Authorized Reporters.  Business Day of transaction for TAS transactions.	As soon as practicable following required notifications to Help Desk

<sup>8</sup> A separate chart would be set forth in both CFE Rule 414 and CFE Rule 415 and each chart would set forth the same reporting and notification provisions. For purposes of efficiency, the Exchange is setting forth one chart in the purpose section of this filing.

<sup>9</sup> As described in footnote 4, the Exchange will be introducing a new trading period of extended trading hours in VIX futures that will be from 3:30 p.m. – 4:15 p.m. on

<b>Time of Notification to the Exchange</b>	<b>Notification Method</b>	<b>Business Day for which Contract Leg/Block Trade Submitted for Clearing</b>	<b>When Help Desk Reports Contract Leg/Block Trade</b>
3:30 p.m. Friday to 7:00 a.m. Monday	E-Mail	Next Business Day	As soon as practicable after trading next commences following required notifications to Help Desk
4:00 p.m. to 4:15 p.m. Monday - Thursday	Phone or E-Mail	Business Day of transaction	As soon as practicable following required notifications to Help Desk (which may occur either during first period of extended trading hours or after trading next commences).
4:15 p.m. to 7:00 am (next calendar day) Monday - Thursday	E-Mail	Business Day of transaction	As soon as practicable after trading next commences following required notifications to Help Desk

CFE also proposes to amend CFE Rules 414(i) and 415(g) by providing that the Exchange may modify the days and times during which the notification, reporting, and clearance

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Mondays through Thursdays. Authorized Reporters are able between 3:30 p.m. and 4:00 p.m. to report the Contract leg of an ECRP transaction or a Block Trade for clearing on either the calendar day of the transaction or the next business day. However, after 4:00 p.m., Authorized Traders will only be able to report trades for clearing on the next Business Day. The Exchange is providing this detail as background as to why the chart does not line up directly with the new trading period of extended trading hours being introduced for VIX futures.

submission provisions set forth in the chart above would be applicable in the event that the Exchange is not be open for business or has shortened Trading Hours in connection with a holiday or a period of mourning.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>11</sup> in particular in that it is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change would benefit investors and market participants because it would enhance CFE's ECRP and Block Trade reporting provisions by extending the time frames during which ECRP transactions and Block Trades may be reported. The Exchange also believes that the proposed rule change is equitable and not unfairly discriminatory because amended CFE Rules 414 and 415 would apply to all TPHs and Authorized Reporters and do not discriminate between market participants.

### B. Self-Regulatory Organization's Statement on Burden on Competition

CFE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, in that the rule change makes enhancements to CFE's Block Trade and ECRP reporting process. In addition, the Exchange believes that the expansion of the ability to report Block Trades and ECRP transactions in security futures in conjunction with the expansion of trading hours in VIX futures will promote competition because it will provide for the reporting and dissemination of

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<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

security futures Block Trades and ECRPs during additional time frames which will serve to promote additional transparency and thus potential further price competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change will become operative on or after October 7, 2013.

At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.<sup>12</sup>

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CFE-2013-005 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

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<sup>12</sup> 15 U.S.C. 78s(b)(1).



All submissions should refer to File Number SR-CFE-2013-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-CFE-2013-005, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).